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PLEASE PASS TO OPIC (R. GREENBERG)

E.O. 12958: N/A
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SUBJECT: UGANDA: RESPONSE TO PROPOSED OPIC FINANCING

REF: STATE 21967

11. Per reftel request, Uganda's microfinance sector has grown dramatically over the past ten years. This sector is now considered well advanced, in terms of size and coverage, by sub-Saharan African and broader developing country standards. Recently, a staff member of the Bill and Melinda Gates Foundation visiting Uganda called Uganda "one of the Silicon Valleys of microfinance in Africa."

12. Uganda's regulated micro-finance sector consists of four Microfinance Deposit Taking Institutions (MDIs) and one commercial bank (Centenary) that specializes in Micro, Small, and Medium Scale (MSME) finance. In addition, there are more than 1,000 non-regulated, mostly urban or semi-urban, Microfinance Institutions (MFIs), and at least 1,000 rural and community based Savings and Credit Cooperative Organizations (SACCOS). The Association of Microfinance Institutions of Uganda (AMFIU) represents the MFI and SACCOS organizations.

13. Through two projects, the Savings Promotion and Enhancement of Enterprise Development (SPEED) and Rural SPEED, the Ugandan microfinance and microenterprise sectors have benefited from USD 42 million in USG funding from 1997 to 2007. USAID is working to design another project, Livelihoods and Enterprises for Agricultural Development (LEAD), which should be implemented in the final quarter of 2008. LEAD will focus on raising rural productivity and incomes through selected support for agricultural value chains. It will consolidate USAID's past efforts to promote rural finance and agricultural development. Of the USD 35 million estimated cost of the five-year LEAD project, USD five million will support microfinance and microenterprise value chain linkages in the coffee, cotton, livestock (including fresh and processed fish), and staple foods (e.g., cereals and oilseeds) sectors.

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